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International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994

Financial report and audited financial statements

for the biennium ended 31 December 2003 and

Report of the Board of Auditors

General Assembly
Official Records
Fifty-ninth Session
Supplement No. 5K (A/59/5/Add.11)

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Note

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

[2 August 2004]

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Letters of transmittal

[26 March 2004]

In accordance with financial regulation 6.5, I have the honour to submit the accounts of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994 for the biennium 2002-2003, which I hereby approve. The financial statements have been completed and certified as correct by the Controller.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) Kofi A. **Annan**

Mr. Shauket A. Fakie
Chairman
United Nations Board of Auditors
New York

[9 July 2004]

I have the honour to transmit to you the financial statements of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda for the biennium 2002-2003, which were submitted by the Secretary-General. These statements have been examined by the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts, including an audit opinion thereon.

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa
Chairman
United Nations Board of Auditors

The President of the General Assembly
United Nations
New York

Chapter I

Financial report for the biennium ended 31 December 2003

A. Introduction

1. The Secretary-General has the honour to submit his financial report on the accounts of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994 for the biennium 2002-2003. The accounts consist of four statements, the related notes and supplementary information contained in the annex to the present chapter.

2. The present financial report, the audited financial statements and the report of the Board of Auditors, along with the associated report of the Advisory Committee on Administrative and Budgetary Questions, will be submitted to the General Assembly at its fifty-ninth session.

3. The present report, which is designed to be read in conjunction with the financial statements, can also be considered alone. Attached hereto is an annex, which includes technical information that is required by the Financial Regulations and Rules to be reported to the Board of Auditors.

B. Overview

4. Statements I to IV of the accounts summarize the financial results of the International Criminal Tribunal for Rwanda for the biennium 2002-2003. Statement I includes all categories of income and expenditure incurred during the biennium 2002-2003. Statement II includes a summary of assets, liabilities, reserves and fund balances as at 31 December 2003. Statement III summarizes the Tribunal's net cash flows for the period, and Statement IV shows the appropriation and expenditures against the appropriation during the biennium 2002-2003.

5. The most important financial issue facing the International Criminal Tribunal for Rwanda is its deteriorating cash position, which is due to a sharp increase in unpaid assessments. As at 31 December 2003, unpaid assessments to the Tribunal totalled $34.8 million, representing an increase of 76 per cent when compared to the situation as at 31 December 2001.

6. Due to the failure of Member States to pay their assessed contributions in full and on time, it was necessary for the Tribunal to borrow $35.5 million from other funds during the biennium 2002-2003 in order to meet its operating requirements. This compares with a total of $13.0 million that was borrowed in the previous biennium. Of that total, $7.5 million had been repaid by 31 December 2003 and $28.0 million remained outstanding as at that date.

7. The budget of the International Criminal Tribunal for Rwanda for the biennium 2002-2003 totalled $208.5 million, as appropriated by the General Assembly in its resolution 58/252 of 23 December 2003. Against this, actual expenditures for the biennium totalled $208.4 million, leaving a small unencumbered balance of $0.1 million. The 2002-2003 expenditure total of $208.4

million represented an increase of 15.9 per cent over the total expenditure in the biennium 2000-2001 of $179.8 million. The following table shows the amount of expenditure by functional category:

Thousands of United States dollars

Functional category	*2003*	*2001*
Salaries and related personnel costs	178 546	150 564
Travel	4 756	4 230
Contractual services	5 469	4 338
Operating expenses	13 561	13 858
Acquisitions	4 691	4 715
Other	1 320	2 079
Total	**208 343**	**179 784**

The following table shows expenditure by functional category as a percentage of the total:

Percentage

Functional category	*2003*	*2001*
Salaries and related personnel costs	85.7	83.7
Travel	2.3	2.4
Contractual services	2.6	2.4
Operating expenses	6.5	7.7
Acquisitions	2.3	2.6
Other	0.6	1.2
Total	**100.0**	**100.0**

8. At the end of 2003 the accounts of the International Criminal Tribunal for Rwanda showed a fund balance of $2.6 million as reserves brought forward of $5.5 million and savings on cancellation of prior period obligations of $1.1 million were offset by an excess of expenditures over income of $4.0 million.

Annex

Supplementary information

1. The present annex includes supplementary information that the Secretary-General is required to report.

Write-off of losses of cash and receivables

2. In accordance with financial rule 106.8, receivables totalling $48,648 were written off during the biennium 2002-2003. A summary statement of losses was provided to the Board of Auditors in compliance with the provisions of financial rule 106.8.

Write-off of losses of property

3. In accordance with financial rule 106.9, property losses amounting to $19,562 were written off during the biennium 2002-2003. The losses are based on the original cost of the properties and include write-offs arising from shortfalls, theft, damage and accidents. The write-offs bring the recorded balances of the properties to the same levels as those shown in the property records for the actual quantities on hand. A summary statement showing the inventory values of non-expendable equipment as well as property write-offs was provided to the Board in accordance with financial rule 106.9.

Ex gratia payments

4. There were no ex gratia payments during the biennium 2002-2003.

Chapter II
Report of the Board of Auditors

Summary

The Board of Auditors has reviewed the operations of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994 and has also audited its financial statements for the biennium ended 31 December 2003.

The Board's main findings are as follows:

(a) Total reserves and fund balances of the Tribunal decreased by approximately 52 per cent, from $5.5 million in the biennium 2000-2001 to $2.6 million for the biennium 2002-2003. The level of unpaid assessed contributions of $34.8 million, representing an increase of 76 per cent from the prior period, has significantly worsened the financial position of the Tribunal;

(b) Debit amounts (owed to the Organization) were reflected in accounts payable and credit amounts (owed by the Organization) were reflected in accounts receivable, resulting in the netting-off of payables against receivables, which is in contravention of the United Nations system accounting standards;

(c) The Tribunal's reserves are inadequate to cover its end-of-service and post-retirement benefit liabilities of $27.4 million;

(d) It does not seem possible that the Tribunal will be able to comply with Security Council resolution 1503 (2003), which requires that all of its work be completed by 2010;

(e) With the closure of the Investigations Unit at Kigali in April 2004 and the scaling down of efforts to capture the remaining indictees, a risk exists that many of the 16 indictees may never be brought to trial;

(f) The Tribunal has taken many initiatives to improve its legal aid system, although the impact of those decisions is yet to be evaluated;

(g) The Tribunal was developing the working relationship to be established between the Tribunal and the Member States, especially those where the accused were alleged to have most of their assets;

(h) Requests for the translation of documents that were apparently of no probative value to any case before the Tribunal added to the already heavy workload of the Language Services Section;

(i) Procurement contracts or extensions thereto were in some instances signed after the commencement date of the contract or not at all.

The Board made recommendations to improve the presentation and disclosure of the financial statements; to review the funding mechanism for end-of-service and post-retirements benefit liabilities; to monitor progress in implementing the completion strategy; to intensify efforts to gain the cooperation of States; to continue to monitor and limit defence counsel expenditures; to prevent the translation of documents that do not have probative value; to shorten the procurement lead time; and to improve the process of approving contracts. By July 2004, the Administration planned to implement a number of appropriate remedies.

A list of the Board's main recommendations is provided in paragraph 11 of the present report.

A. Introduction

1. The Board of Auditors has audited the financial statements and reviewed the operations of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994 for the period from 1 January 2002 to 31 December 2003, in accordance with General Assembly resolution 74 (I) of 7 December 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the annex thereto (see ST/SGB/2003/7), the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and the International Standards on Auditing. Those standards require that the Board plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the expenditures recorded in the financial statements for the biennium ended 31 December 2003 had been incurred for the purposes approved by the General Assembly, whether income and expenditures were properly classified and recorded in accordance with the Financial Regulations and Rules and whether the financial statements of the International Criminal Tribunal for Rwanda presented fairly its financial position as at 31 December 2003 and the results of the operations for the biennium. The audit included a general review of financial systems and internal controls and a test examination of accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews under financial regulation 7.5. The reviews focused primarily on the efficiency of financial procedures, the internal financial controls and, in general, the administration and management of the Tribunal.

4. The General Assembly, in paragraph 5 of its resolution 58/253, of 23 December 2003, requested that the views of the Board of Auditors on the biennialization of the Tribunal's budget be submitted to the General Assembly at its fifty-ninth session. The Board's comments will accordingly be included as an annex to the report of the Secretary-General on that matter.

5. The Board continued its practice of reporting to the Administration the results of specific audits through management letters containing detailed observations and recommendations. This practice allowed for an ongoing dialogue with the Administration.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the Administration, the views of which have been appropriately reflected in the report.

7. A summary of the Board's main recommendations is contained in paragraph 11 below. The detailed findings are reported in paragraphs 13 to 134.

1. Previous recommendations not fully implemented

Biennium ended 31 December 1999[1]

8. In accordance with section A, paragraph 7, of General Assembly resolution 51/225 of 3 April 1997, the Board has reviewed the measures taken by the Administration to implement the recommendations made in its report for the biennium ended 31 December 1999. There are no significant outstanding matters.

Biennium ended 31 December 2001[2]

9. In accordance with General Assembly resolution 48/216 B of 23 December 1993, the Board also reviewed the measures taken by the Administration to implement the recommendations made in its report for the biennium ended 31 December 2001. Details of action taken and the comments of the Board are included in the report and have been summarized in the annex to the present chapter. Out of a total of 19 recommendations, 11 (58 per cent) had been implemented, 6 (32 per cent) were under implementation and 2 (10 per cent) had not been implemented.

10. The Board reiterates, in paragraphs 22 and 114 of the present report, previous recommendations that had not yet been implemented. The Board invites the Administration to assign specific responsibility and to establish an achievable time frame for implementing them.

2. Recommendations

11. **The Board's main recommendations are that the Administration:**

(a) Comply with United Nations system accounting standards by not netting accounts payable off against accounts receivable and vice versa and improve the financial application system to prevent the netting off of debit and credit amounts (para. 26);

(b) In conjunction with the United Nations Secretariat, review the funding mechanism and targets for end-of-service and post-retirement benefit liabilities (para. 30);

(c) Continue to monitor progress in terms of the completion strategy and take all necessary steps to complete its planned activities on time; prepare a completion strategy for the Appeals Chamber in consultation with the International Criminal Tribunal for the Former Yugoslavia; and include in its completion strategy a process to obtain donor support for the purpose of addressing factors that may limit the ability of the Tribunal to hand cases over to national judicial systems (para. 46);

(d) Intensify its efforts to gain the cooperation of States to arrest all indictees at large and seek the assistance of the international community to place additional pressure on uncooperative States (para. 50);

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[1] *Official Records of the General Assembly, Fifty-fifth Session, Supplement No. 5K* (A/55/5/Add.11), chap. II.

[2] Ibid., *Fifty-seventh Session, Supplement No. 5K* and corrigenda (A/57/5/Add.11 and Corr.1-3), chap. II.

(e) Monitor and evaluate the impact of the new decisions taken regarding improvements in the legal aid system (para. 61);

(f) Continue its efforts to verify the financial position of the accused through improved communication with Member States (para. 64);

(g) Ensure that the Language Services Section and the Office of the Prosecutor continue to work together to monitor the nature of requests so as to prevent the translation of documents that have no probative value (para. 85);

(h) Effectively monitor and track requirements, the solicitation of bids or proposals and the awarding of contracts in order to allow both the supplier and the Tribunal sufficient time to finalize, conclude and sign both contracts and their extensions effectively and in a timely manner; inform suppliers that it cannot accept and would not be liable for any goods or services delivered without a signed procurement contract in place; and formalize the agreement with the Tanzanian Police and Prison Services in compliance with United Nations directives (para. 105).

12. The Board's other recommendations appear in paragraphs 22, 33, 70, 76, 82, 93, 95, 100, 108, 110, 114, 116, 122, 124, 126, 129, 131 and 134.

B. Financial issues

1. Financial overview

13. The Board performed an analysis of the financial position of the International Criminal Tribunal for Rwanda as at 31 December 2003. The results of some key financial indicators are set out in table 1.

Table 1
Ratios of key financial indicators

	Biennium	
Ratio of	*2000-2001*	*2002-2003*
Assessed contributions outstanding to total assets[a]	0.64	0.66
Cash to liabilities[b]	0.22	0.08

[a] A low indicator may depict a healthy financial position.
[b] A high indicator reflects the extent of cash available to settle debts.

14. Total income increased by approximately 11 per cent, from $183 million in the biennium 2000-2001 to $204 million in 2002-2003. The increase in the amount of assessed contributions, from $170.3 million in the prior biennium to $201.8 million in 2002-2003, or 19 per cent, accounted for a large part of the increase in total income for the period under review. However, the amount of assessed contributions receivable from Member States increased by approximately 76 per cent, from $19.8 million in the biennium 2000-2001 to $34.8 million in 2002-2003. As shown in the report on the status of contributions as at 31 December 2003 (ST/ADM/SER.B/619, annex XXIII), an amount of $6.6 million of the total outstanding amount of $34.8 million (19 per cent) had been outstanding for over one year.

15. Total expenditure increased by approximately 16 per cent, from $180 million as at 31 December 2001 to $208.3 million for the biennium under review. Of the total expenditure of $208.3 million, 86 per cent related to personnel; 6 per cent related to operational requirements; and the balance of 8 per cent represented travel, contractual services, acquisitions and fellowship, grants and other expenditures.

16. The statement of income and expenditure (statement I) of the Tribunal for the biennium ended 31 December 2003 reflects a net shortfall of income over expenditure of approximately $4 million, compared with a surplus of $2.9 million in 2000-2001. A 16 per cent increase in expenditures accounted for much of the shortfall. However, the shortfall was covered by an assessment made in 2004 of $4.5 million pertaining to the final appropriation for the biennium 2002-2003, approved by the General Assembly in its resolution 58/253, as referred to in footnote c of statement I.

17. Unliquidated obligations increased by 147 per cent, from $6 million in the prior biennium to $14.8 million as at 31 December 2003. The Board noted that the cash flow from operating activities (statement III) for the period under review had a balance of negative $15 million. The Tribunal had to borrow $28 million from peacekeeping operations during the financial period. Without that loan, it would have had an overall negative cash flow of $25.5 million rather than the positive balance of $2.5 million currently reflected in statement III. The loans from peacekeeping operations were repaid in the first quarter of 2004.

18. The Board is concerned that the Tribunal's liabilities, amounting to $49.9 million (compared with $25.3 million in 2000-2001), are due to an increasing level of outstanding contributions, which affected the Tribunal's cash position. Cash and term deposits and the cash pool as at 31 December 2003 amounted to approximately $3.8 million, compared with $5.6 million in the previous biennium, representing a decrease of 32 per cent.

19. The total reserves and fund balances of the Tribunal decreased by approximately 52 per cent, from $5.5 million in the biennium 2000-2001 to $2.6 million in the biennium under review. The high level of unpaid assessed contributions significantly worsened the financial position of the Tribunal. **The Board shares the increasing concern of the General Assembly regarding unpaid assessed contributions, as stated in paragraph 3 of Assembly resolution 58/253, and agrees on the need for Member States to pay their assessed contributions on time, in full and without conditions.**

2. United Nations system accounting standards

20. The Board assessed the extent to which the financial statements of the Tribunal for the biennium ended 31 December 2003 conformed to the United Nations system accounting standards. The review indicated that the financial statements were consistent with the standards, with the exception of the issues raised in paragraphs 21 and 26 below.

3. Presentation and disclosure of the financial statements

21. Paragraph 49 of the United Nations system accounting standards requires the disclosure of the opening and closing balance of non-expendable equipment and encourages the disclosure of additions and disposals. However, the Tribunal

disclosed only the value of non-expendable equipment, which amounted to $14.5 million as at 31 December 2003, in note 6 to the financial statements (compared with $13.2 million for 2000-2001). Furthermore, in paragraph 32 of the Board's audit report for the biennium 1998-1999[1] and paragraph 23 of the report for the biennium 2000-2001,[2] the Board recommended that the Administration disclose the value of non-expendable property pending write-off decisions (which amounted to $560,000 as at 31 December 2003) in the notes to the financial statements.

22. **The Board reiterates its previous recommendation, and the Administration agreed to disclose non-expendable equipment as encouraged in paragraph 49 of the accounting standards and to disclose the value of non-expendable property pending write-off decisions in the notes to the financial statements, commencing in 2004.**

4. Accounts receivable and payable

23. The level of accounts payable decreased by 167 per cent during the biennium under review, from $4 million as at 31 December 2001 to $1.5 million as at 31 December 2003. In the category of other accounts receivable, the level increased by 17 per cent during the biennium, from $3.6 million as at 31 December 2001 to $4.1 million as at 31 December 2003. Receivables from staff members of $3.2 million accounted for 80 per cent of the balance.

Misstatement of accounts receivable and payable (netting-off)

24. The United Nations system accounting standards do not allow for the netting off of payables against receivables and vice versa. The Board noted that debit amounts (owed to the Organization) were reflected in accounts payable and credit amounts (owed by the Organization) were reflected in accounts receivable. This covered international and local staff, vendors, agencies and others. The accounts payable and receivable were therefore misstated in the monthly financial information reports and ultimately in the financial statements, although the net effect was stated correctly.

25. The Tribunal informed the Board that its financial application system, SunAccount, was unable to extract only the debit and credit balances from the accounts payable and accounts receivable object codes and thus netted debit and credit balances within a particular object code. Debit balances within accounts payable and credit balances within accounts receivable could be identified only from such reports as account listings or aged payable/receivable reports.

26. **The Board recommends that the Tribunal: (a) comply with United Nations system accounting standards by not netting accounts payable off against accounts receivable and vice versa; and (b) improve the financial application system to prevent the netting off of debit and credit amounts.**

27. The Administration agreed to disclose the gross amounts of accounts receivable and payable starting with the 2004 interim financial statements.

5. Liabilities for annual leave, end-of-service benefits and post-retirement benefits

28. The liabilities for after-service health insurance, accrued annual leave and termination benefits amounted to $27.4 million at 31 December 2003 (see note 7 to the financial statements and table 2).

Table 2
Liabilities for annual leave, end-of-service benefits and post-retirement benefits
Millions of United States dollars

Description	*2000-2001*	*2002-2003*
Net accrued liability for after-service health insurance[a]	-	13.1
Accrued annual leave	4.1	8.3
Other termination benefits	3.8	6.0
Total	**7.9**	**27.4**

[a] The Tribunal did not estimate the net accrued liability for after-service health insurance for the biennium 2000-2001.

29. The liabilities listed above exclude post-retirement benefits for the judges. The Board is concerned about the level of reserves and the ability of the Tribunal to cover its liabilities for end-of-service and post-retirement benefits in the present situation. The total reserves and fund balances of the Tribunal decreased by approximately 52 per cent, from $5.5 million in the biennium 2000-2001 to $2.6 million for the biennium under review. Those reserves are inadequate to cover the Tribunal's end-of-service and post-retirement benefits.

30. **The Board recommends that the Tribunal, in conjunction with the United Nations Secretariat, review the funding mechanism and targets for end-of-service and post-retirement benefit liabilities.**

6. Non-expendable equipment

31. Non-expendable equipment amounted to $14.5 million as at 31 December 2003, compared with $13.2 million for the previous biennium. In paragraph 30 of its previous report,[2] the Board recommended that the Tribunal establish a time frame for the completion and finalization of all asset records and enforce compliance with directives to control non-expendable equipment.

32. The Tribunal conducted an extensive review of its non-expendable equipment in order to implement the Board's recommendation. This review contributed significantly to improving the custody and control of non-expendable equipment during the biennium under review. However, the Board has noted minor instances of control weaknesses that could be further improved, for example, the timely recording of transactions in the field assets control system.

33. **The Board recommends that the Tribunal continue to improve and maintain adequate control over non-expendable equipment.**

7. Write-off of losses of cash, receivables and property

34. Receivables amounting to $48,648 were written off in accordance with financial rule 106.8. That amount included $18,864 related to unutilized or partially utilized airline tickets purchased from an airline that was declared bankrupt before the tickets could be used. Property write-offs amounted to $19,562 (compared with $17,198 in the previous biennium).

8. Ex gratia payments

35. The Tribunal informed the Board that no ex gratia payments had been made during the biennium ended 31 December 2003.

C. Management issues

1. Completion strategy and implementation

36. The Board recommended, in paragraph 40 of its previous report,[2] that the Tribunal develop and implement a completion strategy. The Tribunal consulted with the International Criminal Tribunal for the Former Yugoslavia in that regard and established a committee to formulate its completion strategy. The committee considered various issues delaying the completion strategy, such as plea agreements that may affect the length of cases, the filling of vacant posts, extra sittings of the trial chambers and the reduction of the number of witnesses per case.

37. The Tribunal submitted the first version of its completion strategy to the United Nations on 14 July 2003. That version was prepared in the context of paragraph 15 (a) of General Assembly resolution 57/289 of 20 December 2002. The second version of the completion strategy was submitted to the United Nations on 29 September 2003 in the light of Security Council resolution 1503 (2003), adopted on 28 August 2003. The Tribunal informed the Board that a further updated third version had been submitted to the Council on 30 April 2004, taking into account Council resolutions 1512 (2003) of 27 October 2003 and 1534 (2004) of 26 March 2004 on, inter alia, progress made towards implementing the completion strategy.

38. The trials of 21 persons were either completed or were at the judgement-writing stage as at April 2004. Trials involving 20 persons were in progress, and the trials of the remaining 23 detainees were scheduled to commence from 2004 onward, depending on trial chamber availability.

39. In addition, as at April 2004, 16 indicted persons were still at large. Moreover, the prosecution was conducting 26 remaining investigations, which were expected to be completed by the end of 2004. According to the Tribunal, this could result in a maximum of 26 new indictments by July 2005. However, the trials would involve fewer than 42 persons, as some may never be apprehended or may be deceased. The number of persons (23 detainees, 16 indictees at large and 26 suspects) who may be brought to trial in 2004 and beyond is based on the maximum figures indicated by the previous Prosecutor.

40. The newly appointed Prosecutor was in the process of reviewing all the files. The Prosecutor's strategy was to prosecute before the Tribunal those persons bearing the highest responsibility for the crimes in Rwanda, which could result in a decrease in the number of prosecutions. In addition, the Prosecutor has identified approximately 40 other suspects who could be tried by national jurisdictions and was engaged in discussions with some Member States on that issue.

41. The Security Council, by its resolution 1512 (2003), decided to authorize the use of up to nine ad litem judges at any one time in the Tribunal. This statutory amendment would contribute to a more efficient completion strategy. During the period in which they are appointed to serve in the International Criminal Tribunal for Rwanda, ad litem judges shall:

(a) Benefit from the same terms and conditions of service mutatis mutandis as the permanent judges of the Tribunal;

(b) Enjoy the same powers as the permanent judges of the Tribunal, bearing in mind the following:

(i) Three permanent judges and a maximum at any one time of six ad litem judges shall be members of each trial chamber;

(ii) Each trial chamber to which ad litem judges are assigned may be divided into sections of three judges each, composed of both permanent and ad litem judges;

(iii) A section of a trial chamber shall have the same powers and responsibilities as a trial chamber under the Statute of the Tribunal and shall render judgement in accordance with the same rules;

(c) Enjoy the privileges and immunities, exemptions and facilities of a judge of the Tribunal;

(d) Enjoy the power to adjudicate in pre-trial proceedings in cases other than those that they have been appointed to try.

42. Notwithstanding the fact that nine ad litem judges were available to the Tribunal from 27 October 2003, only the five original ad litem judges were being utilized as at April 2004. This was due to the fact that no permanent judges were available to preside over trials involving the four additional ad litem judges, since they were all involved in other trials.

43. The Tribunal informed the Board that with nine ad litem judges, it would be able to set up six trial chamber sections. Those six sections would be able to handle 4,500 hours of trial work (more than 900 trial days) per year. However, in terms of the Statute, a trial chamber section must comprise both permanent and ad litem judges. By June 2004, several of the permanent judges were engaged in lengthy trials, which decreased the likelihood that the number of trial chamber sections would be increased to six, on a permanent basis, before 2006. The Tribunal estimated that the trials of 48 accused (including the 21 who have received judgements) could be completed by 2006 or early 2007, in theory. The trials of the 16 indictees who are still at large could be completed by 2008, provided they were all arrested in a timely manner and their trials commenced immediately after the completion of the trials mentioned above. The Tribunal estimated that by 2008 it would be able to complete trials for between 65 and 70 persons.

44. The Tribunal noted that it was difficult at this stage to indicate a completion strategy for the Appeals Chamber, since it was linked to the completion strategy of the International Criminal Tribunal for the Former Yugoslavia and the workload of the seven judges constituting the Appeals Chamber. It is further noted that all but one judgement of the International Criminal Tribunal for Rwanda have been appealed.

45. Given the information provided above and the fact that no completion strategy exists for the Appeals Chamber, it is questionable whether all appeals will be finalized by 2010, in conformity with Security Council resolution 1503 (2003), which requires that all work of the two Tribunals be completed by 2010.

46. The Tribunal agreed with the Board's recommendations that it: (a) continue to monitor progress in terms of the completion strategy and take all necessary steps to complete its planned activities on time; (b) prepare a completion strategy for the Appeals Chamber in consultation with the International Criminal Tribunal for the Former Yugoslavia; and (c) include in its completion strategy a process to obtain donor support for the purpose of addressing factors that may limit the ability of the Tribunal to hand cases over to national judicial systems. The Tribunal could also seek assistance from the United Nations system to create partnerships for obtaining donor support in order to implement judicial reforms in Member States.

Status of indictees at large

47. Under the completion strategy, the Investigations Unit at Kigali would close at the end of 2004. While the Unit was aware of the whereabouts of most of the 16 indictees, it was precluded from making the necessary arrests owing to a lack of cooperation from countries hosting those indictees.

48. In its resolution 1503 (2003), the Security Council, urging Member States to consider imposing measures against individuals and groups or organizations assisting indictees at large to continue to evade justice, including measures designed to restrict the travel and freeze the assets of such individuals, groups or organizations, called upon all States, especially Rwanda, Kenya, the Democratic Republic of the Congo and the Congo, to intensify cooperation with and render all necessary assistance to the Tribunal, including on investigations of the Rwandan Patriotic Army and efforts to bring Felicien Kabuga and all other such indictees to the Tribunal, and called upon that and all other at-large indictees to surrender to the Tribunal; and called upon all States to cooperate with the International Criminal Police Organization in apprehending and transferring persons to the Tribunal.

49. With the closure of the Investigations Unit at Kigali in April 2004 and the scaling down of efforts to capture the remaining indictees, there is a risk that many of the indictees will never be brought to trial.

50. The Board recommends that the Tribunal intensify its efforts to gain the cooperation of States to arrest all indictees at large and seek the assistance of the international community to place additional pressure on uncooperative States.

2. Legal aid system

51. In its previous report,[2] the Board made a number of recommendations regarding the Tribunal's legal aid programme. As a result of the Board's recommendations, the Tribunal retained a consultant to consider the various issues raised in respect of the legal aid system. The Tribunal implemented the consultant's recommendations:

(a) To deal with the hearing of motions on the papers or by video link;

(b) To obtain more detailed information from the lead counsel when requesting authorization for co-counsel, legal assistants and investigators;

(c) To consider making the lead counsel responsible for all costs incurred by the defence teams;

(d) To appoint a financial investigator;

(e) To set up a payment-on-account system;

(f) To set up an appeal procedure for dissatisfied defence team members.

52. Article 2 of the Directive on the Assignment of Defence Counsel guarantees the right of suspects and accused individuals to be assisted by counsel. Article 3 states that they may be assigned counsel, subject to certain conditions, at no charge to them if they are unable to afford counsel. Article 4 provides that persons are considered indigent if they do not have sufficient means to engage counsel of their choice. A primary area of concern for the Tribunal has been the manner in which suspects and accused individuals are deemed unable to afford counsel, which entitles them to receive legal aid.

53. The consultant recommended that the minimum threshold for indigence be set at $10,000. The Registrar wrote to the President of the Tribunal seeking approval and explained that the Defence Counsel Management Section had worked out a formula to determine the share of the Tribunal in the cost of the judicial proceedings (pre-trial/trial/appeal stages) of partially indigent accused. The formula took into consideration the estimated defence costs and the financial capacity of the accused, which was derived from the value of property available to the accused and/or members of his or her family with whom he or she resided. The share of the partially indigent accused in the cost of the judicial proceedings would be his or her disposable assets minus the threshold of $10,000. Thus, the share of the Tribunal would be the estimated cost of the judicial proceedings that exceeded the net worth of the partially indigent accused. The Tribunal indicated that when calculations were made, the investments of the accused, interest earnings, property valuations and other similar factors were considered. In addition, "residence" referred to the house or houses owned by the accused or his or her family at the time of arrest and where the family was currently residing.

54. Also in line with the consultant's recommendations, the Registrar has proposed to the President of the Tribunal that the maximum number of hours worked by the lead counsel during the pre-trial stage be reduced from 175 to 100. While reasoned requests for a pre-authorized exception to the rule could still be considered, the Registry was of the view that the lower amount was still substantial and reasonable as a norm, considering that the pre-trial stage was not the most active stage. The maximum monthly hours worked during the trial and appeal stages would remain as before.

55. In concurrence with the consultant's recommendation on defence costs, the Registrar planned to table the matter for the consideration of the Tribunal's Management Committee to learn whether judges were willing to take on the responsibility of making a "recovery of defence costs order" at the end of each case. That recommendation has legal implications and would require amending the Rules of Procedure and Evidence and the Directive on the Assignment of Defence Counsel.

56. The consultant recommended that an independent team be appointed to assess claims by the defence counsel. The Tribunal was considering the feasibility of the recommendation. The consultant also recommended establishing a contract system and setting up a payment-on-account system, which differs in nature from the appointment of an independent team.

57. The practice at the Tribunal was to assign counsel from a shortlist submitted by the accused person and drawn from the list of eligible counsel kept by the Registrar in accordance with rule 45 of the Rules of Procedure and Evidence. The consultant recommended restricting the list of lead counsel, co-counsel, legal assistants and investigators to persons residing in Africa or requiring that all co-counsel, legal assistants and investigators be from Africa. The Tribunal was of the opinion that, given the international character of the Tribunal and the principle of equality of treatment of persons fulfilling the same mandate, the implementation of those recommendations might be seen as discriminatory, which could raise strong objections. The Tribunal recalled that there was strong opposition and criticism from some sectors when the previous Registrar imposed a temporary moratorium in 1998 against lawyers from some countries in order to achieve geographical balance. As at April 2004, there were 54 detainees, 52 of whom had been already assigned counsel. However, the Tribunal is now of the view that giving priority to counsel of the region would not amount to discrimination against counsel from other regions. Rather, it would be consistent with the common practice of the United Nations of relying on regional capacity whenever there is a need to tackle a regional problem. The Tribunal informed the Board that, given that the Tribunal to a great extent follows such practice, a proposal has been put before the President for his consideration.

58. The consultant also recommended that supporting defence team members be granted direct access to accused persons. Under the current system, legal assistants are allowed to directly interview the accused only under exceptional circumstances. However, the rules and the jurisprudence of the Tribunal on this issue did not allow defence investigators to meet with the accused. It is the belief of the Tribunal that the mandate of representing the accused persons falls on the lead counsel, who has the qualifications, experience and expertise necessary to advise them on the conduct of their defence.

59. The consultant also recommended that the Office of the Prosecutor address issues related to the late disclosure of evidence to the defence counsel, which contributed to additional costs. The Tribunal hoped that the Prosecutor would address those problems.

60. Finally, the consultant recommended that investigators who were involved in the arrest of a suspect supply information on the suspect's circumstances at the time of arrest to the financial investigator. Contacts have already occurred between the Office of the Prosecutor and the financial investigator in that regard.

61. **The Board recommends that the Tribunal monitor and evaluate the impact of the new decisions taken regarding improvements in the legal aid system.**

Verification of the financial position of accused individuals

62. The Board recommended, in paragraph 52 of its previous report,[2] that the Tribunal establish clear and enforceable working relationships with Member States to ensure that they provide all reasonable assistance necessary to verify the financial position of the accused.

63. A financial investigator was recruited in September 2003 to help ameliorate the situation, and his plan of action was approved by the senior management of the

Registry. The financial investigator had completed most of his in-house investigations related to the financial position of accused persons who were detained at the United Nations Detention Facility. At the time of the audit, he was developing the working relationship to be established between the Tribunal and Member States, especially those where the accused were alleged to have most of their assets. In addition, a post of Chief of External Relations was filled (in February 2003) in an endeavour to improve communication with Member States.

64. **The Board recommends that the Tribunal continue its efforts to verify the financial position of the accused through improved communication with Member States.**

3. Defence counsel expenditure

65. The Board, in paragraphs 60 to 65 of its previous report,[2] expressed its concerns regarding the control of defence counsel costs. The Defence Counsel Management Section had taken steps to limit defence counsel expenditures, including focusing assistance on counsel who were involved in trials or appeals rather than those at the pre-trial phase; obtaining plans of action from counsel and checking claims against them; limiting the number of investigators per case; and determining how many hours of work are reasonable for certain activities and requesting supporting documentation in respect of claims.

66. The Defence Counsel Management Section also indicated to the Board that defence counsel were urged to submit their statements on a monthly basis in order to ensure closer monitoring of expenditures. However, the Board has ascertained that, while some invoices were submitted monthly, in general counsel were still submitting their invoices well in arrears.

67. In this regard, the Registry planned to submit to the plenary session of the judges in the spring of 2004 an amendment to article 22 of the Directive on the Assignment of Defence Counsel by adding a new section reading as follows: "The Registrar shall reimburse the sums claimed by assigned counsel for remuneration and expenses on receipt of a statement of expenses made out using the format provided by the Registry, which must be presented within 60 days from the last day of the month during which work was performed or an expense was incurred and be approved by the Registrar. The non-submission of the claims as stated above may result in non-payment."

68. The International Criminal Tribunal for the Former Yugoslavia has implemented a lump-sum system of legal aid in order to control and limit defence counsel expenditure. Under that system, a fixed sum of legal aid funds was allocated to a particular case and paid out over the duration of the case, in contrast to the system in effect at the International Criminal Tribunal for Rwanda in which counsel are paid upon the presentation of invoice, with no limit on the sum to be spent per case. The Defence Counsel Management Section was closely monitoring the lump-sum system with a view to implementing a similar system at the International Criminal Tribunal for Rwanda.

69. The Defence Counsel Management Section implemented software on 15 March 2004 to streamline claims processing and to enhance the tracking and management of claims submitted by defence team members. The software provides statistical reporting and analysis pertaining to financial claims of defence teams.

70. **The Board recommends that the International Criminal Tribunal for Rwanda: (a) continue to monitor the submission of invoices by defence counsel using the new software; and (b) evaluate the lump-sum system of legal aid at the International Criminal Tribunal for the Former Yugoslavia in order to ascertain whether such a system could assist in limiting the increasing cost of legal aid.**

4. Witness costs

71. The International Criminal Tribunal for Rwanda was responsible for ensuring the attendance at trials of witnesses for both the prosecution and the defence. This task was carried out by the Witnesses and Victims Support Section of the Judicial and Legal Services Division of the Registry. Separate sections were responsible for prosecution and defence witnesses.

72. Those sections did not question the necessity for or the number of witnesses called by the respective parties. Parties to a case usually presented a list of names of witnesses to the relevant section indicating when the witness would be needed at the Tribunal and for how long. The relevant section within the Witnesses and Victims Support Section then made arrangements to bring the witnesses to Arusha, United Republic of Tanzania.

73. The Board noted that in certain cases witnesses were brought to Arusha, with all costs charged to the Tribunal, only to leave without testifying. The Tribunal incurred related costs for such expenses as return air tickets for the witnesses (and for an escort from the Tribunal in the case of protected witnesses), travel documents and photographs, a daily subsistence allowance, childcare (where applicable), food and clothing.

74. For the period from January 2002 to December 2003, 169 prosecution witnesses were brought to the Tribunal, 8 of whom were not called to testify. For the period from February 2002 to November 2003, 315 defence witnesses were brought to Arusha. (No defence witnesses were called during January 2002 and December 2003.) A total of 14 witnesses did not testify. In just one case, the cost incurred in bringing five protected defence witnesses to the Tribunal who were then not called to give evidence and subsequently returned to their homes was $24,902. The Tribunal could not readily provide the Board with total costs related to witnesses who did not testify.

75. The Board notes that the Registrar has taken action to address this issue by requiring the Finance Section of the Tribunal to recover such costs from the defence counsel concerned. In one case the Registrar's decision was challenged in the Chambers, before the President of the Court, by counsel. The Court dismissed the case and thus upheld the Registrar's decision. A total of $1,784 of the amount mentioned in that case has been recovered from the defence counsel involved.

76. **The Board recommends that the Tribunal: (a) monitor the costs incurred in securing the attendance of witnesses; and (b) continue to recover costs from defence counsel in line with the Registrar's directives.**

5. Language services

Shortage of revisers

77. The Board, in paragraphs 75 to 77 of its previous report,[2] set out in detail the inadequate ratio of revisers to translators. The Tribunal informed the Board that it was standard practice for a translator to translate 5 pages of 300 words per day, and a reviser was expected to revise 12 pages per day. Therefore, the Tribunal was of the view that a reviser would ideally revise the work of approximately 2.5 translators, in line with United Nations practice (see A/57/289).

78. However, the ratios at the Tribunal were as follows at the time of the audit:

(a) English: 1 to 14.5 (2 revisers for 29 translators);

(b) French: 1 to 15 (2 revisers for 30 translators);

(c) Kinyarwanda: 1 to 17 (2 revisers for 34 translators).

79. In terms of its completion strategy, the Tribunal planned to operate six sub-chambers. According to management of the Language Services Section, six sub-chambers operating at maximum capacity would ideally have a staffing structure of 42 French, 42 English and 24 Kinyarwanda interpreters/translators.

80. The backlog of pages requiring translation was 2,400 as at April 2004. There were a further 326 pages that had been translated but were awaiting revision. Thus, eliminating the backlog would require approximately 227 reviser-days per language (2,400 pages plus 326 pages divided by 12 pages per day).

81. The Tribunal advised the Board that, while the aforementioned ratio of translators to revisers was short of the standard, the main problem was the shortage of French revisers. The Office of the Prosecutor, as the primary originator of documents requiring translation, generates most of its documents in English. The bulk of the translation is done from English into French for the benefit of French-speaking judges, defence counsel and accused. Four French reviser posts were advertised during April 2004. The Board notes that, while steps have been taken to advertise vacant posts, a number of reviser posts are still vacant because of the difficulty of finding appropriate candidates with the required profile who are willing to serve in the United Republic of Tanzania.

82. **The Board encourages the Tribunal to continue its efforts to fill reviser posts that have been advertised.**

Prioritization of requests

83. The Board noted during its interim audit that requests for the translation of documents that were apparently of no probative value to any case before the Tribunal added to the already heavy workload of the Language Services Section. Examples cited included entire newspapers sent for translation when only one article was relevant or whole books requested when only a chapter or a few paragraphs were relevant.

84. The Tribunal has attempted to improve the situation, as the Office of the Prosecutor has become more selective regarding the nature and type of documentation being forwarded for translation. The Office of the Prosecutor was

channelling almost all of its translation requests through its Information and Evidence Unit.

85. **The Board recommends that the Tribunal ensure that the Language Services Section and the Office of the Prosecutor continue to work together to monitor the nature of requests so as to prevent the translation of documents that have no probative value.**

6. Court management

86. Efficient court reporting is central to the timely hearing and disposal of cases by the Tribunal. The court reporters at the Tribunal work within the Court Reporters Unit, which forms part of the Court Management Section of the Judicial and Legal Services Division. The judicial processes of the Tribunal rely heavily on transcripts of proceedings produced by the court reporters. The transcripts are required by the judges as well as the prosecution and defence teams on a daily basis. They are used as the official record of the processes of the Tribunal and, as such, are an essential part of the Tribunal's archive. Court reports are also used and requested by academics and jurists, as well as the general public.

87. Court reporters prepare transcripts of proceedings in two languages, English and French. The Tribunal has an approved staffing level of 40 reporters, however, at the time of the audit, there were only 34 reporters: 19 in the French pool and 15 in the English pool. The Tribunal informed the Board that five English-language reporters and one French-language reporter were being recruited.

88. The Tribunal had five court reporters per language per court session working full-day trials and three reporters per language per session for half-day trials. The Tribunal considers the ideal to be six reporters plus one editor per language per session for full-day trials and four reporters plus one editor for half-day trials. This is premised on seven-hour and five-hour court days, respectively. The editor is responsible for editing the transcripts of the reporters on the team.

89. Reporters work for an hour at a time in court. Members of a team work consecutively through the day until the court adjourns. The hour in court is spent recording the proceedings on a stenography machine. It takes approximately five hours out of court to prepare that one-hour recording. The time is spent transcribing, proof-reading, editing, researching spelling and names, merging various sections, preparing an index and finally printing, copying and transmitting the text to the Judicial Records and Archives Unit.

Real-time reporting

90. Court reporters are often required to produce, at the end of a court day, draft transcripts of that day's proceedings for distribution to judges and both legal teams to enable the various parties to prepare for the next day's proceedings. Under the system that was in place in April 2004, court reporters prepare the requisite drafts by 7 p.m. on the day of the hearing for full-day court sessions. The introduction of shift-system trials means that for morning trials (from 8 a.m. to 1 p.m.), drafts are prepared by 5.30 p.m. For afternoon trials (2 to 7 p.m.), drafts are prepared by 10 a.m. the next day. Final transcripts are prepared within 48 hours.

91. The introduction of a real-time reporting process whereby the transcript of the proceeding is instantaneously transmitted to all parties would alleviate the need to

prepare draft transcripts. It would also allow the reporters to complete their duties within the ordinary working day, without requiring them to work overtime. The reporters would also be able to spend more time in court, thus increasing their productivity.

92. An alternative may be a deferred real-time process whereby the transcript is transmitted to a team of court reporters and an editor who can edit and prepare the transcript while the hearing is continuing. A transcript may then be available for distribution to the court and the parties a short while after proceedings are adjourned. The Board noted that both processes would require resources for computer hardware (dedicated server) and software upgrades.

93. **The Board recommends that the Tribunal consider ways to improve the efficiency and effectiveness of court management, including evaluating new technology on the basis of cost-benefit analyses.**

7. Office of the Prosecutor

94. Pursuant to General Assembly resolution 57/289, the Office of Internal Oversight Services conducted a review, during June and July 2003, of the Office of the Prosecutor (A/58/677). At the time of the review, which was conducted in June and July 2003, one Prosecutor headed the Office of the Prosecutor for both the International Criminal Tribunal for Rwanda and the International Criminal Tribunal for the Former Yugoslavia. On 28 August 2003, the Security Council adopted resolution 1503 (2003), in which it created a separate post of Prosecutor for the International Criminal Tribunal for Rwanda. In summary, the Office of Internal Oversight Services found that arrangements for planning and monitoring needed to be strengthened; there was insufficient information with respect to the completion strategy and there was no strategy document; there were delays in recruiting a Deputy Prosecutor; and best practices were not always shared between the two Tribunals. The International Criminal Tribunal for Rwanda had not implemented the recommendations by April 2004.

95. **The Board recommends that the Tribunal: (a) in conjunction with the Office of Internal Oversight Services, set up an implementation plan to address the recommendations of the Office, including target dates; and (b) monitor progress with regard to the implementation of the recommendations.**

8. Performance management: implementation of results-based budgeting

96. The General Assembly requested, in its resolution 57/288 of 20 December 2002, that the Tribunal's budget for the biennium 2004-2005 be prepared in a results-based-budgeting format, except for the judicial functions of the Chambers. A results-based-budgeting format requires the Organization to link its objectives and inputs to expected accomplishments to be measured by indicators of achievement.

97. The Board noted the following:

(a) Notwithstanding the fact that the heads of divisions and chiefs of units/sections responsible for the preparation of budgets for the biennium 2004-2005 were provided with detailed information on results-based budgeting to familiarize themselves with the concepts, they did not gain a thorough understanding of the requirements;

(b) Tribunal staff involved in the preparation of budgets participated in the training on results-based budgeting only after the deadline for submitting the proposed budgets to the Programme Planning and Budget Division at Headquarters. The Administration informed the Board that in preparation for the training in March 2003, the Office of Programme Planning, Budget and Accounts had requested the Registrar to provide a list of participants who should be selected, and encouraged Tribunal budgetary personnel to participate;

(c) Not all sections had submitted their draft budgets to the budget unit by the deadline.

98. Nevertheless, the Tribunal made strides in linking the completion/exit strategy, results-based-budgeting concepts and the workload indicators into its final budget proposal for the biennium 2004-2005. The successful implementation and maintenance of results-based budgeting would depend on this integration as well as the coordination of all activities of the Tribunal.

99. Although full and effective monitoring was not yet in place, the Tribunal recognized the many lessons to be learned from the first year of implementation. It had undertaken various initiatives with a view to improving performance and the delivery of judicial and administrative support services and had outlined its plan of action as follows:

(a) Streamlining of operations and processes (which began in 2003 and was ongoing);

(b) Joint consultation and collaboration with the International Criminal Tribunal for the Former Yugoslavia on common issues, including workload/ performance indicators and their linkage to an exit/completion strategy;

(c) Implementation of the Integrated Management Information System;

(d) Coordination and consultation (information-sharing) with the Programme Planning and Budget Division on lessons learned from the implementation of results-based budgeting and conduct of a follow-up training programme;

(e) Development, enhancement or modification of benchmarks and standards to measure performance;

(f) Development and installation of a tracking system.

100. **The Tribunal agreed with the Board's recommendation that it: (a) continue to make progress with regard to the implementation of results-based budgeting by introducing more stringent central monitoring mechanisms; and (b) further develop and update the workload indicators to align with results-based budgeting and the exit/completion strategy.**

9. Procurement and contract management

Obligations incurred without formal agreements or contracts in place

101. Financial rule 105.9 states that "an obligation must be based on a formal contract, agreement, purchase order or other form of undertaking, or on a liability recognized by the United Nations". Rule 105.18 states that "written procurement contracts shall be used to formalize every procurement ...".

102. Five out of twenty contracts selected for testing, with a total value of $313,901, were entered into during the biennium but were signed after the commencement date of the contract, and three contracts (15 per cent) with a value of $4,822,214 had not been signed at all at the time of the audit, as shown in table 3. Contracts ICTR/CON/03/13, ICTR/CON/03/10 and ICTR/CON/03/12 had still not been signed more than three, six and nine months respectively after the contracts were entered into. This occurred because the Procurement Section did not monitor the expiry of contracts adequately and did not initiate procurement processes in a timely manner and, in part, because suppliers did not always sign contracts promptly. The Procurement Section then had to extend contracts while in the process of soliciting bids or proposals and awarding contracts. The situation was also partly due to suppliers taking a long time to sign amendments to contracts.

Table 3
Contracts signed after the commencement date or not signed

Contract No.	*Contract period*	*Date of signature*	*Delay (months)*	*Value (US dollars)*
ICTR/CON/02/05	1 May 2002-30 April 2003	5 June 2002	1	5 595
ICTR/CON/02/14	1 May 2002-31 January 2003	29 August 2002	4	154 905
ICTR/CON/03/01	1 January-30 June 2003	25 February 2003	2	3 218
ICTR/CON/03/02	1 April 2003-28 February 2004	8 May 2003	1	117 683
ICTR/CON/03/03	1 March-30 June 2003	2 April 2003	1	32 500
ICTR/CON/03/10	1 November 2003-31 October 2007	Not signed	Not determined	4 697 490
ICTR/CON/03/12 (jet fuel)	1 July 2003-30 June 2005	Not signed	Not determined	40 000
ICTR/CON/03/13	1 January 2004-not specified	Not signed	Not determined	84 724
Total				**5 136 115**

103. Three of the eight extensions to contracts selected for testing, valued at $82,367 in total, that were entered into during the biennium ended 31 December 2003 were signed after the commencement date of the extension, and one extension to a contract was not signed at all (see table 4). Amendment No. 1 to contract ICTR/CON/01/04 was signed after the extension period had expired. Amendment No. 2 to contract ICTR/CON/03/03 had still not been signed more than four months after the contract was extended.

Table 4
Amendments to contracts signed after the commencement date or not signed

Amendment	*Extension period*	*Date of signature*	*Delay (months)*	*Value (US dollars)*
1 to ICTR/CON/01/04	1 April-31 May 2002	10 June 2002	2	7 205
1 to ICTR/CON/01/05	1 April-30 June 2002	18 June 2002	2	12 595
1 to ICTR/CON/02/02	1 March-30 June 2003	20 June 2003	4	12 567
2 to ICTR/CON/03/03	1 January-30 June 2004	Not signed	-	48 000
Total				**82 367**

104. Since 1996, the Tanzanian Police and Prison Services have been providing the Tribunal with police officers for deployment at its headquarters and annexes. Similarly, it has been providing prison officers for deployment at the United Nations Detention Facility and its annexes. The Tribunal informed the Board that since 1996 it had paid a cumulative amount in excess of $2.5 million to the Tanzanian Police and Prison Services ($10 per day per officer) without having a formal agreement in place.

105. **The Board recommends that the Tribunal: (a) effectively monitor and track requirements, the solicitations of bids or proposals and the awarding of contracts in order to allow both the supplier and the Tribunal sufficient time to finalize, conclude and sign both contracts and their extensions effectively and in a timely manner; (b) inform suppliers that it cannot accept and would not be liable for any goods or services delivered without a signed procurement contract in place; and (c) formalize the agreement with the Tanzanian Police and Prison Services, in compliance with United Nations directives.**

106. The Tribunal informed the Board that a draft agreement had been compiled for the prison services and submitted to the Office of Legal Affairs, which subsequently instructed the Tribunal to renegotiate the agreement such that the payment of $10 per day per officer would be paid to the host Government instead of the prison officers directly. By June 2004 the agreement had not been approved pending renegotiation. Furthermore, a preliminary draft agreement for the police services had been compiled.

Procurement cycle

107. The Board evaluated the lead times within the procurement cycle of 20 contracts awarded and 24 purchase orders issued during the biennium ended 31 December 2003, from the date of the original requisition until the date payment was effected. The Board noted that procurement lead times were lengthy at various stages of the procurement cycle. Examples of delays are provided in table 5.

Table 5
Excessive procurement lead times

Contract/purchase order number	*Description*	*Value (US dollars)*	*(a) Date of requisition*	*(b) Date invoice was presented for payment*	*Delay between (a) and (b) (days)*	*Comments*
3TRA-276/0	Motor vehicle parts and accessories	49 164	16 April 2002	25 November 2003	588	The delay of 442 days between requisition and purchase order indicates possible delays in the tender process
3TRA-294/0	Motor vehicles, passenger and other	216 052	23 April 2003	24 February 2004	307	The delay of 113 days between requisition and purchase order indicates possible delays in the tender process; and the delay of 109 days from receipt of the invoice to its presentation for payment indicates possible problems with delivery and/or receipt and inspection
3TRA-213/0	Expendables for data-processing use with equipment	78 533	10 March 2003	29 December 2003	294	The delay of 73 days between requisition and purchase order indicates possible delays in the tender process; and the delay of 136 days from receipt of the invoice to its presentation for payment indicates problems with delivery and/or receipt and inspection
3TRA-249/0	Data-processing equipment, machinery, etc.	174 085	5 March 2003	15 October 2003	224	The delay of 122 days between requisition and purchase order indicates possible delays in the tender process; and the delay of 78 days from receipt of the invoice to its presentation for payment indicates possible problems with delivery and/or receipt and inspection
ICTR/CON/02/19	Safe house	17 815	6 March 2002	12 September 2002	190	The delay of 175 days between requisition and purchase order indicates possible delays in the tender process

108. **The Board recommends that the Tribunal evaluate the reasons for the excessive lead times at the various stages of the procurement cycle and take measures to decrease them to a reasonable level.**

Ordering and receiving procedures

109. The Board noted instances in which goods and/or services had been received before the purchase orders were approved, as shown in table 6. This is contrary to financial rule 105.7, which stipulates that "no undertaking, including by contract, agreement or purchase order, for an amount exceeding $2,500 (or its equivalent in other currencies) shall be entered into until the appropriate credit(s) has (have) been reserved in the accounts. This shall be done through the recording of obligations

against which relevant payments or disbursements, made only on fulfilment of contractual and other obligations, shall be recorded as expenditure".

Table 6
Goods and/or services received before approval of the purchase order

Contract/purchase order number	*Description*	*Date of purchase order approval*	*Date of receipt of invoice*	*Value (US dollars)*
ICTR/CON/02/19	Safe House	6 September 2002	28 August 2002	17 815
ICTR/CON/02/11	Security services	30 September 2002	31 July 2002	48 319
ICTR/CON/02/09	Supply of long-shelf-life food products	29 May 2002	15 May 2002	86 616
ICTR/CON/02/06	Rental	14 February 2002	4 February 2002	800 000
ICTR/CON/03/12	Supply of aviation fuel	15 September 2003	18 August 2003	122 200
A2TR-91/0	Packaging of non-food products	27 March 2002	14 March 2002	111 000
3TRA-183/0	Leasing or rental services	28 April 2003	6 December 2003	73 118

110. **The Board recommends that the Tribunal approve purchase orders before goods and/or services are ordered and received from suppliers, in compliance with rule 105.7 of the Financial Regulations and Rules of the United Nations.**

111. The Tribunal informed the Board that the cases referred to above related to ongoing contracts that could not be stopped, such as food for detention facilities. Although the contracts were extended, the requisitions and purchase orders were delayed because of insufficient funding resulting from small budget allocations over the year. The Procurement Section was aware of the situation but could not stop the supplies, as that would have affected the operations of the Tribunal. The Tribunal agreed to include proper documentation in the files in future.

10. Human resources management and payroll system

Reference checks on new recruits

112. In paragraph 92 of its previous report,[2] the Board recommended that the Tribunal conduct reference checks and interviews. The Tribunal indicated that reference checks consisted of the following three steps for all staff appointments, irrespective of the duration of the appointment:

(a) Contacting the candidate's previous employer to confirm employment;

(b) Confirming educational qualifications at the institution the candidate attended;

(c) Making contact with three references supplied by the candidate on the curriculum vitae.

113. A total of 238 staff members (both local and international) were recruited in the biennium under review. The Board was supplied with a reference check report compiled and maintained by the head of the Human Resources Records Section,

which covered only 68 staff members. Of the 238 new recruits, only 17 (7 per cent) were listed on the report. Reference checks were incomplete for all 68 staff members listed.

114. **The Board reiterates its previous recommendation that the Tribunal: (a) conduct reference checks on all new eligible candidates; and (b) maintain accurate and complete records of such reference checks.**

General temporary assistance

115. In paragraph 90 of its previous report,[2] the Board recommended that the Tribunal review and analyse the use of general temporary assistance. The Tribunal continued to utilize the services of 81 staff members under the general temporary assistance category for extended periods of time.

116. **The Tribunal agreed with the Board's recommendation to take steps to use the general temporary assistance funds in accordance with the purposes for which they were intended.**

Vacancy rates

117. In General Assembly resolution 57/289 and the report of the Advisory Committee on Administrative and Budgetary Questions (A/56/666), it was noted with concern that the vacancy rate at the Tribunal remained unacceptably high.

118. Vacancy rates in the Professional category ranged from 27.8 per cent to 20.3 per cent for the months of January to October 2001. In the General Service and related categories, the rate ranged from 16.4 to 10.3 per cent. The Advisory Committee reiterated its view that it was not possible to accurately determine requirements for additional personnel in the Tribunal until vacancies were considerably reduced.

119. The Tribunal had an overall vacancy rate of 11 per cent as at 31 December 2003. The overall vacancy rate in the Professional category for areas of administrative services, the Registry and judicial services and the Office of the Prosecutor was 16 per cent; in the General Service and related categories, the overall vacancy rate for the above areas was 11 per cent. The vacancy rates for both Professional and General Service posts did, however, reflect an improvement in the situation previously noted by the General Assembly and the Advisory Committee. Nevertheless, the situation for Professional staff remained undesirable.

120. The Office of the Prosecutor had the highest individual vacancy rate: 15 per cent. The Office had 240 posts, comprising 192 Professional and 48 General Service staff posts. The actual posts encumbered amounted to 203: 158 Professional and 45 General Service posts.

121. Out of 34 vacant Professional posts, 5 were at the P-2 level, 16 were P-3, 8 were P-4 and 5 were P-5. The Board noted that the posts of Deputy Prosecutor (D-2) and Chief of Prosecutions (D-1) had been vacant from June 2000 until the end of January 2003 (32 months) and from August 2000 until February 2003 (30 months) respectively.

122. **The Tribunal agreed with the Board's recommendation that it continue its efforts to reduce the vacancy rates, with special emphasis on the Office of the Prosecutor.**

11. Training

123. The Board had identified the management of staff training as a topic to be addressed horizontally across the United Nations and its funds and programmes. The Tribunal approved a revised training policy in December 2002. The revised policy established a minimum investment of $300 and three days of training per year per staff member based on an anticipated population of 1,000 staff members. Actual training expenditures (excluding indirect costs) amounted to $560,000 for the biennium 2002-2003.

124. **The Board commends the Tribunal's efforts to implement audit recommendations in the following areas: (a) maintaining monthly management information; (b) providing adequate resources for the training function; (c) elevating the prominence of training; (d) maintaining a database on training history as part of the Training Unit's work plan; and (e) recording and processing relevant statistics for training. The Board also noted that the Tribunal was in the process of implementing the Board's recommendation to improve the measurement and reporting of the effect of training initiatives.**

12. Information and communication technology

Organizational structure

125. The Electronic Data Processing/Management Information System section has 14 staff members in Arusha and 5 in Kigali. According to the Tribunal, there were 860 registered users in Arusha and 280 in Kigali. There was no information and communication technology security administrator as at April 2004. As a result, users may not be monitored to ensure their compliance with the information and communication technology security policy and controls preventing unauthorized access to the Tribunal's assets. The Tribunal informed the Board that it was in the process of creating new additional posts and would be recruiting additional information and communication technology personnel and that it had subsequently recruited an information and communication technology security administrator.

126. **The Board recommends that the Tribunal expedite its recruitment of appropriate information and communication technology personnel.**

Information and communication technology strategy

127. An information and communication technology strategic plan provides a road map of the technology required to support and enhance the organizational direction, outlining the resources that are required to implement the plan and the benefits that would be realized. The information and communication technology strategic plan should include the following:

(a) The information and communication technology unit's aims and objectives pertaining to information technology for all groups;

(b) To what extent business operations and information and communication technology would be integrated;

(c) The structure and standards of the information and communication technology environment;

(d) The purpose of the information and communication technology environment;

(e) Information and communication technology services to be delivered;

(f) Facilities used for information and communication technology;

(g) Resource requirements.

128. The Tribunal informed the Board that its information and communication technology strategy was part of the strategy of the United Nations as a whole, as set out in the related reports of the Secretary-General (A/57/620 and A/58/377). The strategy particular to the Tribunal was set out in a document outlining medium- and long-term strategic planning. The Tribunal informed the Board that a detailed addendum to that document expanding the strategy would be presented to its Information and Communication Technology Committee in 2004.

129. **The Tribunal agreed with the Board's recommendation that it develop, approve and update on a continuous basis an information and communication technology strategic plan to provide for changing circumstances in respect of the requirements of the Tribunal.**

Disaster recovery plan

130. The Tribunal had initiated an emergency recovery plan, also referred to as a disaster recovery plan, and had completed the phases of the plan related to business analysis, risk and vulnerability identification and management involvement and awareness. However, the plan was still in a draft format in April 2004. The Tribunal informed the Board that the final draft of the plan, including testing procedures, would be presented to its Information and Communication Technology Committee for adoption in 2004.

131. **The Board recommends that the Tribunal: (a) should expedite the process of approving the disaster recovery plan; (b) make staff fully aware of the contents of the plan and monitor full compliance; and (c) retain a copy of the plan off-site and incorporate it into the change management arrangements to ensure that the plan is routinely updated when hardware and software changes occur.**

13. Fraud and presumptive fraud

132. As required under the Financial Regulations and Rules of the United Nations, the Administration reported three cases of fraud and presumptive fraud to the Board for the financial period ended 31 December 2003. The extent of potential losses for two cases reported below has yet to be determined by the Administration:

- A staff member misrepresented and falsified the certification of education grant claims amounting to $129,880 relating to the 1998 to 2002 academic years for his four children. The Tribunal had worked out a recovery plan for the amount in question. The case was also submitted to United Nations Headquarters for disciplinary action against the staff member and was still under review by June 2004. The Tribunal has intensified its scrutiny of education grant claims.
- Seven containers (worth $8,400 at historical cost) went missing during the relocation of the Tribunal, between December 2000 and early 2001, and six

laptops (worth $18,000 at historical cost) disappeared between 1997 and July 2000. The Tribunal attributed the cause to a lack of planning during the relocation and a failure to keep records of inventories. The Tribunal detected the loss of equipment while conducting physical checks of inventories. An investigation into this matter was pending in April 2004. The Tribunal had improved its controls with respect to non-expendable equipment to prevent a recurrence of the loss.

- A staff member in the Kigali office consistently inflated the quantity and prices of materials for projects so as to benefit personally from the transactions. The amounts involved had not yet been determined. The Board had identified the potential fraudulent activities during its interim audit in April 2003. The staff member was removed from his function as certifying officer and reassigned to another site to work under close supervision while awaiting the results of the investigation. The Tribunal has taken various initiatives to prevent the occurrence of similar situations.

Fraud and prevention strategy

133. The Tribunal had included anti-fraud elements in different rules, procedures and internal controls. However, it did not have a formal, comprehensive fraud prevention strategy, which would incorporate, among other things: a formal internal corruption and fraud risk-assessment mechanism; ethics, anti-corruption and fraud-awareness training; a formal corruption and fraud response plan setting out the procedures for reporting of fraud by employees and subsequent follow-up steps; and the development and implementation of detection mechanisms.

134. **The Board recommends that the Tribunal develop and approve a fraud-prevention strategy in coordination with the administrations of the United Nations and the other funds and programmes.**

D. Acknowledgement

135. The Board of Auditors wishes to express its appreciation for the cooperation and assistance extended by the President, Prosecutor, Registrar and staff of the International Criminal Tribunal for Rwanda.

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

(*Signed*) Guillermo N. **Carague**
Chairman
Philippine Commission on Audit

(*Signed*) François **Logerot**
First President of the Court of Accounts of France

9 July 2004

Note: The Board of Auditors has signed only the original English version of the report.

Annex

Summary of the status of implementation of recommendations for the financial period ended 31 December 2001

Topic	*Implemented*[a]	*Under implementation*[a]	*Not implemented*[a]	*Total*	*Reference in the present report*
Presentation of the financial statements	-	Paragraph 23	-	1	Paragraphs 21 and 22
Unliquidated obligations	Paragraph 25	-	-	1	-
Non-expendable equipment	-	Paragraph 30	-	1	Paragraphs 31-33
Trust fund	Paragraphs 33 and 36	-	-	2	-
Completion strategy	-	Paragraph 40	-	1	Paragraphs 36-46
Legal aid system and fee-splitting	Paragraphs 48, 55 and 59	Paragraph 52	-	7	Paragraphs 62-64
		Paragraph 64			Paragraphs 65-70
	Paragraphs 68 and 73				
Procurement	Paragraphs 79, 81 and 85	Paragraph 77	-	4	Paragraphs 77-82
Human resources	-	-	Paragraph 90	2	Paragraphs 115 and 116
			Paragraph 92		Paragraphs 112-114
Total					
Number	**11**	**6**	**2**	**19**	
Percentage	**58**	**32**	**10**	**100**	

[a] See *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 5K* and corrigenda (A/57/5/Add.11 and Corr.1-3), chap. II.

Chapter III
Audit opinion

We have audited the accompanying financial statements of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994, comprising statements numbered I to IV and the supporting notes for the biennium ended 31 December 2003. The financial statements are the responsibility of the Secretary-General of the United Nations. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with the common auditing standards of the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency and in conformity with international standards on auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis and where considered by the auditor to be necessary in the circumstances, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Secretary-General, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for the audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position as at 31 December 2003 and the results of operations and cash flows for the biennium then ended in accordance with the stated accounting policies of the International Criminal Tribunal for Rwanda as set out in note 2 to the financial statements, which were applied on a basis consistent with that of the preceding financial period.

Furthermore, in our opinion, the transactions of the International Criminal Tribunal for Rwanda that have come to our notice and that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and legislative authority.

In accordance with article VII of the Financial Regulations, we have also issued a long-form report on our audit of the financial statements on the International Criminal Tribunal for Rwanda.

(*Signed*) Shauket A. **Fakie**
Auditor-General of the Republic of South Africa

(*Signed*) Guillermo N. **Carague**
Chairman
Philippine Commission on Audit

(*Signed*) François **Logerot**
First President of the Court of Accounts of France

9 July 2004

Note: The Board of Auditors has signed only the original English version of the audit opinion.

Chapter IV

Certification of the financial statements

1. The financial statements of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violation Committed in the Territory of Neighbouring States between 1 January and 31 December 1994 for the period from 1 January 2002 to 31 December 2003 have been prepared in accordance with financial rule 106.10.

2. A summary of significant accounting policies applied in the preparation of the statements is included as notes to the financial statements. The notes provide additional information on and clarification of the financial activities undertaken by the Organization during the period covered by the statements, for which the Secretary-General has administrative responsibility.

3. I certify that the appended financial statements of the Tribunal, numbered I to IV, are correct.

(*Signed*) Jean-Pierre **Halbwachs**
Assistant Secretary-General
Controller

26 March 2004

Chapter V

Financial statements for the biennium ended 31 December 2003

Statement I

International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994[a]

Statement of income and expenditure and changes in reserves and fund balances
for the biennium 2002-2003 ending 31 December 2003
(Thousands of United States dollars)

	2003	*2001*
Income		
Assessed contributions[b]	201 785	170 289
Funding from reserves and fund balances	-	9 841
Interest income	1 378	1 915
Other/miscellaneous income	1 159	668
Total income	**204 322**	**182 713**
Expenditure		
Staff and other personnel costs	178 546	150 564
Travel	4 756	4 230
Contractual services	5 469	4 338
Operating expenses	13 561	13 858
Acquisitions	4 691	4 715
Other	1 320	2 079
Total expenditure	**208 343**	**179 784**
Excess (shortfall) of income over expenditure[c]	**(4 021)**	**2 929**
Savings on, or cancellation of, prior periods' obligations	1 130	6 131
Transfers from surplus	-	(9 841)
Reserves and fund balances, beginning of period	5 507	6 288
Reserves and fund balances, end of period	**2 616**	**5 507**

[a] See notes 2 and 3.

[b] In accordance with General Assembly resolutions 56/248 A and B and 57/289, assessments for the Tribunal are based in part on the scale of assessments applicable to the United Nations regular budget and in part on the scale of assessments applicable to peacekeeping operations.

[c] The shortfall of income over expenditure is covered by an assessment in 2004 of $4,517,100 pertaining to the final appropriation for the biennium 2002-2003, approved by the General Assembly in resolution 58/253.

The accompanying notes are an integral part of the financial statements.

Statement II

International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994[a]

Statement of assets, liabilities and reserves and fund balances as at 31 December 2003

(Thousands of United States dollars)

	2003	*2001*
Assets		
Cash and term deposits	2 535	4 527
Cash pool[b]	1 278	1 113
Assessed contributions receivable from Member States[c]	34 816	19 771
Inter-fund balances receivable	2 148	-
Other accounts receivable	4 186	3 572
Deferred charges	6 992	931
Inter-office transactions pending processing	575	971
Total assets	**52 530**	**30 885**
Liabilities		
Contributions or payments received in advance	12	13
Unliquidated obligations - current period	14 752	6 078
Unliquidated obligations - future periods	5 639	-
Inter-fund balances payable	-	15 225
Due to the United Nations Assistance Mission for Rwanda	4 000	-
Due to the United Nations Observer Mission in Angola	6 000	-
Due to the United Nations Transition Assistance Group	6 000	-
Due to the United Nations Preventive Deployment Force	12 000	-
Other accounts payable	1 476	3 950
Inter-office transactions pending processing	35	112
Total liabilities	**49 914**	**25 378**
Reserves and fund balances		
Cumulative surplus	2 616	5 507
Total reserves and fund balances	**2 616**	**5 507**
Total liabilities and reserves and fund balances	**52 530**	**30 885**

[a] See notes 2 and 3.

[b] Represents share of the United Nations Headquarters cash pool and comprises cash and term deposits of $291,960, short-term investments of $164,959 (market value $165,068), long-term investments of $817,449 (market value $811,328) and accrued interest receivable of $3,943.

[c] Includes assessed contributions unpaid irrespective of collectability.

The accompanying notes are an integral part of the financial statements.

Statement III

International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994[a]

Statement of cash flows for the biennium 2002-2003 ending 31 December 2003

(Thousands of United States dollars)

	2003	*2001*
Cash flows from operating activities		
Net excess (shortfall) of income over expenditure (statement I)	(4 021)	2 929
(Increase) decrease in contributions receivable	(15 045)	(6 421)
(Increase) decrease in other accounts receivable	(614)	(1 064)
(Increase) decrease in deferred charges	(6 061)	(296)
(Increase) decrease in other assets	396	1 207
(Increase) decrease in contributions or payments received in advance	(1)	-
Increase (decrease) in unliquidated obligations	14 313	(2 939)
Increase (decrease) in other accounts payable	(2 474)	1 921
Increase (decrease) in other liabilities	(77)	(885)
Less: interest income	(1 378)	(1 915)
Net cash from operating activities	**(14 962)**	**(7 483)**
Cash flows from investing and financing activities		
Increase (decrease) in loans payable	28 000	-
(Increase) decrease in inter-fund balances receivable	(2 148)	-
Increase (decrease) in inter-fund balances payable	(15 225)	4 771
(Increase) decrease in cash pool	(165)	(1 113)
Plus: interest income	1 378	1 915
Net cash from investing and financing	**11 840**	**5 573**
Cash flows from other sources		
Savings on or cancellation of prior periods' obligations	1 130	6 131
Transfers from reserves and fund balances	-	(9 841)
Net cash from other sources	**1 130**	**(3 710)**
Net increase (decrease) in cash and term deposits	(1 992)	(5 600)
Cash and term deposits, beginning of period	4 527	10 127
Cash and term deposits, end of period[b]	**2 535**	**4 527**

[a] See notes 2 and 3.

[b] Cash and term deposits do not include cash and term deposits in the cash pool. Refer to footnote b of statement II.

The accompanying notes are an integral part of the financial statements.

Statement IV

International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994

Statement of appropriations for the biennium 2002-2003 ending 31 December 2003

(Thousands of United States dollars)

	Programme of work	Appropriations approved[a]	Expenditures: Disbursements	Expenditures: Unliquidated obligations	Expenditures: Total expenditure	Balance
A.	The Chambers	5 267	4 935	291	5 226	41
B.	Office of the Prosecutor	44 364	42 869	1 811	44 680	(316)
C.	Registry	137 632	124 411	12 650	137 061	571
D.	Staff assessment	21 217	21 376	-	21 376	(159)
	Total	**208 480**	**193 591**	**14 752**	**208 343**	**137**

[a]The appropriations for 2002-2003 were approved by the General Assembly in its resolutions 56/248 A and B, 57/289 and 58/252.

Notes to the financial statements

Note 1
United Nations and its activities

(a) The Charter of the United Nations was signed on 26 June 1945 and came into force on 24 October 1945. The Organization's primary objectives, to be implemented through its five major organs, were as follows:

(i) The maintenance of international peace and security;

(ii) The promotion of international economic and social progress and development programmes;

(iii) The universal observance of human rights;

(iv) The administration of international justice and law;

(v) The development of self-government for Trust Territories.

(b) The General Assembly focuses on a wide range of political, economic and social issues, as well as the financial and administrative aspects of the Organization.

(c) Under the direction of the Security Council, the Organization has been involved in various aspects of peacekeeping and peacemaking, including efforts towards resolving conflicts, restoring democracy, promoting disarmament, providing electoral assistance, facilitating post-conflict peace-building, engaging in humanitarian activities to ensure the survival of groups deprived of basic needs and overseeing the prosecution of persons responsible for serious violations of international humanitarian law.

(d) The Economic and Social Council plays a particular role in economic and social development, including a major oversight role in the efforts of other organizations of the United Nations system to address international economic, social and health problems.

(e) The International Court of Justice has jurisdiction over disputes between Member States brought before it for advisory opinions or binding resolutions.

(f) The Trusteeship Council completed its primary functions in 1994 with the termination of the Trusteeship Agreement for the last United Nations Trust Territory.

Note 2
Summary of significant accounting and financial reporting policies of the United Nations

(a) The accounts of the United Nations are maintained in accordance with the Financial Regulations and Rules of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the Financial Regulations and administrative instructions issued by the Under-Secretary-General for Management or the Controller. They also take fully into account the United Nations system accounting standards, as adopted by the Administrative Committee on Coordination, which has since been replaced by the United Nations System Chief Executives Board for Coordination (CEB). The

Organization follows International Accounting Standard 1, "Presentation of financial statements" regarding the disclosure of accounting policies, as modified and adopted by CEB, as shown below:

(i) Going concern, consistency, and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, the disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;

(ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies;

(iii) Financial statements should include clear and concise disclosure of all significant accounting policies that have been used;

(iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. Those policies should normally be disclosed in one place;

(v) Financial statements should show comparative figures for the corresponding period of the preceding financial period;

(vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) The Organization's accounts are maintained on a "fund accounting" basis. Separate funds for general or special purposes may be established by the General Assembly, the Security Council or the Secretary-General. Each fund is maintained as a distinct financial and accounting entity with a separate self-balancing double-entry group of accounts. Separate financial statements are prepared for each fund or for a group of funds of the same nature.

(c) The financial period of the Organization is a biennium consisting of two consecutive calendar years for all funds other than peacekeeping accounts, which are reported on a fiscal year basis covering the period from 1 July to 30 June.

(d) Generally, income, expenditure, assets and liabilities are recognized on the accrual basis of accounting. For assessed income, the policy set out in paragraph (j) (ii) below applies.

(e) The accounts of the Organization are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the United Nations. In respect of such currencies, the financial statements shall reflect the cash, investments, unpaid pledges and current accounts receivable and payable in currencies other than the United States dollar, translated at the applicable United Nations rate of exchange in effect as at the date of the statements. In the event that the application of actual exchange rates in effect as at the date of the statements would provide a valuation materially different from the application of the Organization's rate of exchange for the last month of the financial period, a footnote will be provided quantifying the difference.

(f) The Organization's financial statements are prepared on the historical cost basis of accounting and are not adjusted to reflect the effects of changing prices for goods and services.

(g) The cash flow summary statement is based on the "indirect method" of cash flows as referred to in the United Nations system accounting standards.

(h) The Organization's financial statements are presented in accordance with the ongoing recommendations of the working party on accounting standards of CEB.

(i) Separate financial statements are issued for the United Nations general and related funds, the United Nations Iraq escrow accounts, the United Nations Compensation Commission, the International Criminal Tribunal for the Former Yugoslavia under the provisions of Security Council resolutions 808 (1993) and 827 (1993), the International Criminal Tribunal for Rwanda under the provisions of Security Council resolution 955 (1994) and peacekeeping accounts, which are reported separately on a fiscal year basis covering the period from 1 July to 30 June.

(j) Income:

(i) The amounts necessary to finance the activities of the United Nations regular budget and peacekeeping operations, the capital master plan, the International Criminal Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda, as well as the Working Capital Fund, are assessed on Member States according to the scale of assessments determined by the General Assembly;

(ii) Income is recognized when assessments on Member States have been authorized by the General Assembly. Neither appropriations nor spending authorities are recognized as income except to the extent that a matching assessment on Member States has been levied;

(iii) Amounts assessed on non-member States that agree to reimburse the United Nations for the costs of their participation in the Organization's treaties, organs and conferences are credited to miscellaneous income;

(iv) Voluntary contributions from Member States and other donors are recorded as income on the basis of a written commitment to pay monetary contributions at specified times within the current financial period. Voluntary contributions made in the form of services and supplies that are acceptable to the Secretary-General are credited to income or are noted in the financial statements;

(v) Income received under inter-organizational arrangements represents the allocation of funding received from agencies to enable the Organization to administer projects or other programmes on their behalf;

(vi) Allocations from other funds represent monies appropriated or designated from one fund for transfer to and disbursement from another fund;

(vii) Income for services rendered includes amounts charged for salaries of staff members and other costs that are attributable to the provision of technical and administrative support to other organizations;

(viii) Interest income includes all interest earned on deposits in various banks, investment income earned on marketable securities and other negotiable instruments and investment income earned in the cash pools. All realized losses and net unrealized losses on short-term investments are offset against investment income. Investment income and costs associated with the operation of investments in the cash pools are allocated to participating funds;

(ix) Miscellaneous income includes income from the rental of premises, the sale of used or surplus property, refunds of expenditures charged to prior periods, net gains resulting from currency translations, settlements of insurance claims, amounts assessed on new Member States for the year of admission to the United Nations, amounts assessed on non-member States as stated in paragraph (j) (iii) above, monies accepted for which no purpose was specified and other sundry income;

(x) Income relating to future financial periods is not recognized in the current financial period and is recorded as deferred income, as referred to in paragraph (m) (iii) below.

(k) Expenditure:

(i) Expenditures are incurred against authorized appropriations or commitment authorities. Total expenditures reported include unliquidated obligations and disbursements;

(ii) Expenditures incurred for non-expendable property are charged to the budget pertaining to the period when the property was acquired and are not capitalized. Inventory of such non-expendable property is maintained at historical cost;

(iii) Expenditures for future financial periods are not charged to the current financial period and are recorded as deferred charges, as referred to in paragraph (l) (vi) below.

(l) Assets:

(i) Cash and term deposits represent funds held in demand-deposit accounts and interest-bearing bank deposits;

(ii) Investments include marketable securities and other negotiable instruments acquired by the Organization to produce income. Short-term investments are stated at cost or market value, whichever is lower; long-term investments are stated at cost. Cost is defined as the nominal value plus or minus any unamortized premium or discount. The market value of investments is disclosed in the footnotes to the financial statements;

(iii) Cash pools comprise participating funds' share of cash and term deposits, short-term and long-term investments and accrual of investment income, all of which are managed in the pools. The investments in the cash pools are similar in nature and are accounted for as stated in paragraph (l) (ii) above. The share in the cash pools is reported separately in each participating fund's statement and its composition and the market value of its investments are disclosed in footnotes to the individual statements;

(iv) Assessed contributions represent legal obligations of contributors and, therefore, the balances of unpaid assessed contributions due from Member

States are reported irrespective of collectability. It is the policy of the United Nations not to make provision for delays in the collection of such assessments;

(v) Inter-fund balances reflect transactions between funds and are included in the amounts due to and from the United Nations General Fund. Inter-fund balances also reflect direct transactions with the General Fund. Inter-fund balances are settled periodically, depending on the availability of cash resources;

(vi) Deferred charges normally comprise expenditure items that are not properly chargeable to the current financial period. They will be charged as expenditure in a subsequent period. Those expenditure items include commitments approved by the Controller for future financial periods in accordance with financial rule 106.7. Such commitments are normally restricted to administrative requirements of a continuing nature and to contracts or legal obligations where long lead times are required for delivery;

(vii) For purposes of the balance sheet statements only, those portions of education grant advances that are assumed to pertain to the scholastic years completed as at the date of the financial statement are shown as deferred charges. The full amounts of the advances are maintained as accounts receivable from staff members until the required proofs of entitlement are produced, at which time the budgetary accounts are charged and the advances settled;

(viii) The maintenance and repair of capital assets is charged against the appropriate budgetary accounts. Furniture, equipment, other non-expendable property and leasehold improvements are not included in the assets of the Organization. Such acquisitions are charged against budgetary accounts in the year of purchase. The value of non-expendable property is disclosed in the notes to the financial statements.

(m) Liabilities and reserves and fund balances:

(i) Operating reserves are included in the totals for "reserves and fund balances" shown in the financial statements;

(ii) Unliquidated obligations for future years are reported both as deferred charges and as unliquidated obligations;

(iii) Deferred income includes contributions pledged for future periods, advances received under revenue-producing activities and other income received but not yet earned;

(iv) Commitments of the Organization relating to prior, current and future financial periods are shown as unliquidated obligations. Current-period obligations related to the regular budget and special accounts remain valid for 12 months following the end of the biennium to which they relate. Obligations for most technical cooperation activities remain valid for 12 months after the end of each calendar year. Unliquidated obligations relating to amounts owed by peacekeeping operations to Member States may be retained for a period of five years beyond the end of the financial period. Unliquidated obligations relating to funds of a multi-year nature remain valid until the completion of the project;

(v) Any contingent liabilities are disclosed in the notes to the financial statements;

(vi) The United Nations is a member organization of the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits. The Fund is a funded defined-benefit plan. The financial obligation of the Organization to the Fund consists of its mandated contribution at the rate established by the Assembly together with its share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are payable only if and when the Assembly has invoked article 26 following a determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. As at the date of the current financial statement, the Assembly had not invoked that provision.

Note 3
International Criminal Tribunal for Rwanda (statements I-IV)

(a) The International Criminal Tribunal for Rwanda was established by the Security Council in its resolution 955 (1994). The Tribunal consists of the following organs:

(i) The Chambers, comprising three Trial Chambers and an Appeals Chamber. The Trial Chambers are composed of nine permanent judges, no two of whom may be nationals of the same State, and a maximum of four ad litem judges, no two of whom may be nationals of the same State. The Appeals Chamber, which is composed of seven judges, services both the International Criminal Tribunal for Rwanda and the International Criminal Tribunal for the Former Yugoslavia;

(ii) The Prosecutor, who is responsible for the investigation and prosecution of persons responsible for serious violations of international humanitarian law committed in the territory of Rwanda and Rwandan citizens responsible for such violations committed in the territory of neighbouring States between 1 January and 31 December 1994. The Prosecutor acts independently as a separate organ of the Tribunal;

(iii) A Registry, which services both the Chambers and the Prosecutor and is responsible for the administration and servicing of the Tribunal.

(b) The General Assembly, in its resolutions 56/248 A and B, 57/289 and 58/253, approved the funding of the budget appropriations for the biennium 2002-2003. Annual budget apportionments are funded by assessments on Member States, 50 per cent in accordance with the scale of assessments applicable to the United Nations regular budget and 50 per cent in accordance with the scale of assessments applicable to peacekeeping operations. States and intergovernmental and non-governmental organizations also contribute funds, equipment and services to the Tribunal to carry out its mandate. The financial statements for the Tribunal are prepared every 12 months, with a final accounting at the end of the biennium.

(c) Statement I reports the income and expenditure and changes in the reserves and fund balances during the financial period. It includes the calculation of the excess of income over expenditure for the current period and prior-period adjustments of income or expenditure.

(d) Statement II shows the assets, liabilities, reserves and fund balances as at 31 December 2003. Excluded from the assets is the value of non-expendable property (see note 6).

(e) Statement III shows the cash flows for the period prepared using the "indirect method" of cash flows as referred to in the United Nations system accounting standards.

(f) Statement IV reports on expenditures against the appropriation approved for the biennium.

Note 4
Status of appropriations

In accordance with General Assembly resolutions 56/248 A and B, 57/289 and 58/252, the appropriations and gross assessments for the biennium 2002-2003 are as follows:

Thousands of United States dollars

	2002	*2003*	*Total*
Original budget appropriation (resolution 56/248 A)	94 550	97 762	192 312
Add: Increase in resources	2 788	2 027	4 815
Revised appropriation (resolution 56/248 B)	97 338	99 789	197 127
Add: Increase in resources	(535)	7 371	6 836
Revised appropriation (resolution 57/289)	96 803	107 160	203 963
Add: Increase in resources	-	4 517	4 517
Revised appropriation (resolution 58/252)	96 803	111 677	208 480
Less: Commitment authority (resolution 57/289)	(1 113)	(1 065)	(2 178)
Less: Amount to be assessed in 2004 (resolution 58/253)	-	(4 517)	(4 517)
Gross amounts assessed on Member States	**95 690**	**106 095**	**201 785**

Note 5
Assets, liabilities and reserves and fund balances (statement II)

(a) The cash and term deposits figure represents the total cash balance (including funds held in local currency) at United Nations Headquarters and at the offices away from Headquarters.

(b) Assessed contributions unpaid:

(i) The assessed contributions receivable as at 31 December 2003 have been recorded in accordance with the Financial Regulations and Rules of the United Nations, the relevant resolutions of the General Assembly and the policy of the United Nations. Based on that policy, no provision has been made for delays in the collection of outstanding assessed contributions;

(ii) The details of assessed contributions receivable are shown in the report on the status of contributions as at 31 December 2003 (ST/ADM/SER.B/619, annex XXIII). The report shows total unpaid assessments of $34,815,879, including those of the former Yugoslavia, which ceased to be a Member State

on 1 November 2000. However, no action has been taken in the accounts as there is no specific General Assembly resolution on this matter. Of the total unpaid assessments, an amount of $6,578,379 is over one year old and $28,237,500 is less than one year old.

(c) Other accounts receivable. The following is the composition of the other accounts receivable as at 31 December 2003 compared with those as at 31 December 2001:

Thousands of United States dollars

	2003	*2001*
Governments	248	-
Staff members	3 268	2 656
Vendors	202	251
Specialized agencies	148	111
Other United Nations entities	320	554
Total	**4 186**	**3 572**

(d) Other accounts payable. The following is the composition of the other accounts payable balances as at 31 December 2003 compared with those as at 31 December 2001:

Thousands of United States dollars

	2003	*2001*
Staff members	377	194
Vendors	206	285
Specialized agencies	401	292
Other United Nations entities	110	2 911
Provision for repatriation grant	382	268
Total	**1 476**	**3 950**

Note 6
Non-expendable property

In accordance with United Nations accounting policies, non-expendable property is charged against the current allotment in the year of purchase. The non-expendable property, valued at historical cost according to the cumulative inventory records, was $14.5 million as at 31 December 2003.

Note 7
Liabilities for end-of-service and post-retirement benefits

(a) The Tribunal has not specifically recognized in any of its financial accounts liabilities for after-service health insurance costs or liabilities for other types of end-of-service payments that will be owed when staff members leave the

Tribunal. Actual payments made in each financial period are reported as current expenditures.

(b) In order to gain a better understanding of the financial dimensions of the Tribunal's liabilities for after-service health insurance, a consulting actuary was engaged to carry out an actuarial valuation of post-retirement health benefits. It is estimated that the Tribunal's liability as at 31 December 2003 is as follows:

United States dollars

	Present value of future benefits	*Accrued liability*
Gross liability	36 320 000	17 844 000
Offset from retiree contributions	(9 435 000)	(4 700 000)
Net liability	**26 885 000**	**13 144 000**

(c) The present value of future benefits figures shown above represent the discounted values of all benefits to be paid in the future to all current retirees and active employees expected to retire. The accrued liabilities represent those portions of the present values of benefits that have accrued from the staff members' dates of entry on duty until the valuation date. Active staff members' benefits are fully accrued on the date on which they become fully eligible for benefits.

(d) Staff members who separate from the Tribunal are entitled to be paid for any unused vacation days they may have accrued up to a maximum of 60 days. The total liability for such unpaid accrued vacation compensation as at 31 December 2003 was estimated to be $8.3 million.

(e) Some staff members are entitled to repatriation grants and payment of related relocation expenditures upon their separation from the Organization based on the number of years of service. The total liability for such unpaid repatriation and relocation entitlement as at 31 December 2003 is estimated to be $6.0 million.

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